

Message Text

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ACTION EB-06

INFO OCT-01 NEA-06 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-05 NSAE-00 RSC-01 FAA-00 L-01 AID-05

FRB-01 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-01

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9774

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E.O. 11652: NX/A

TAGS: ETRN, EG

SUBJECT: CIVAIR - FOREIGN GOVERNMENT AIRLINE SUBSIDIES

REF: STATE 162608

1. AS WASHINGTON AGENCIES ARE AWARE, INTERNAL FINANCIAL AND OPERATIONAL ARRANGMENTS OF EGYPTAIR HAVE ALWAYS BEEN CAREFULLY CONCEALED WITHIN GOE'S OVERALL CLOAK OF SECRECY. AS AN INTEGRAL PART OF EGYPTIAN GOVERNMENT, WHICH IS SOLE STOCKHOLDER, EGYPTAIR FUNCTIONS AS A PRIVATE COMPANY IN SOME WAYS, AND AS A GOVERNMENT ENTITY IN OTHERS. THESE TWO FACTORS COMBINE TO MAKE DEFINITIVE ANSWERS TO QUESTIONS POSED REFTEL DIFFICULT TO PROVIDE. ON BASIS DISCUSSIONS EMBOFFS HAVE HAD WITH OFFICIALS IN GOE AND EGYPTAIR, AS WELL AS TWA CAIRO, RCAA BEIRUT, ETC., FOLLOWING IS BEST AVAILABLE ASSESSMENT OF SITUATIONV, KEYED TO PARAGRAPHS IN REFTEL.

A & B. GOE DOES NOT MAKE DIRECT LOANS TO EGYPTAIR, AS SUCH, BUT DOES PROVIDES FUNDS FOR ITS BUDGET, UNDERWRITING LOSSES AND BENEFITING FROM PROFITS, IF ANY.

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C. WITH RESPECT TO PURCHASES OF EQUIPMENT, EXTENT OF GOE

INVOLVEMENT DEPENDS UPON SOURCE. IN TRANSACTIONS INVOLVING WESTERN SUPPLIERS, NORMAL BANK GUARANTEES ARE USUAL CASE, E.G., PURCHASE OF 707'S FROM BOEING, AND NORMAL COMMERCIAL RATES APPLY. FOR SOVIET BLOC EQUIPMENT, OBTAINED ON GOVERNMENT-TO-GOVERNMENT BASIS, THERE IS DISTINCT POSSIBILITY EGYPTAIR DOES NOT CARRY FULL WEIGHT OF SERVICING DEBT CONCERNED, BUT NO HARD INFORMATION IS AVAILABLE. IT IS NOT WORTHY THAT EVEN DURING PERIODS WHEN CREDIT WORTHINESS OF GOE ITSELF WAS AT LOW EBB (OCT 72), EGYPTAIR WAS ABLE TO OBTAIN FINANCING FOR ITS PRESENT FLEET OF BOEINGS WITH GUARANTEES FROM CENTRAL BANK AND NATIONAL BANK.

D. EMBASSY DOES NOT HAVE INFORMATION ON EXTENT TO WHICH AD-

VERTISING BY GOE TOURISM AGENCY IS DESIGNED TO ENHANCE EGYPTAIR IMAGE, BUT SINCE COMPANY IS A PART OF MINISTRY OF TOURISM AND CIVIL AVIATION WE ASSUME THERE IS AN EFFORT MADE IN THAT DIRECTION.

3. INSOFAR AS WE ARE AWARE, THERE ARE NO GIVE-AWAY PACKAGES FINANCED BY GOE OTHER THAN THOSE LIMITED TO TOURIST AGENCIES, ETC. SINCE EGYPTAIR DOES NOT DOMINATE MARKET IN ANY MEANINGFUL SENSE ON ANY OF ROUTES THAT WOULD BE AFFECTED BY SUCH OFFERS, WE DOUBT THESE WOULD BE OF SIGNIFICANCE IN INTER-

NATIONAL COMPETITION. WE NOTE THAT CHARTERS ARRANGED BY EGYPTAIR FROM US, FOR EXAMPLE, ARE MORE OFTEN THAN NOT FLOWN ON EQUIPMENT OF OTHER AIRLINES, INCLUDING AMERICAN.

F. NO INFORMATION IS AVAILABLE ON MAIL RATES PAID TO EGYPTAIR. OTHER AIRLINES SERVING EGYPT HAVE NO COMPLAINTS ON THEIR RATES OR THE VOLUME OF MAIL CARRIED, ALTHOUGH RUMORS EXIST THAT KICKBACKS ARE REQUIRED BEFORE A CONTRACT CAN BE OBTAINED. TWA, WHICH CARRIES NO MAIL FROM EGYPT, SUGGESTS THAT ITS REFUSAL TO GO ALONG WITH THIS PROCEDURE EXPLAINS WHY IT HAS NO CONTRACT.

G. MILITARY CARGO MOVEMENTS BY EGYPTAIR ARE PROBABLY FAIRLY LIMITED INTERNATIONALLY, GIVEN THE CAPABILITIES OF THE EGYPTIAN AIRFORCE. THERE IS NO INFORMATION ON THE RATES PAID.
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H. EGYPTAIR REPORTEDLY PAYS GOING RATE FOR ALL SERVICES PROVIDED BY OTHER AGENCIES OF GOE.

I. MANY EGYPTAIR CREW MEMBERS ARE FORMER MILITARY PERSONNEL, BUT THE ARMED FORCES APPARENTLY DO NOT PROVIDE SIGNIFICANT AMOUNTS OF TRAINING FOR CIVILIANS.

J. NO INFORMATION IS AVAILABLE ON SUBSIDIES FOR DOMESTIC SERVICES, ALTHOUGH IT IS QUITE POSSIBLE THEY EXIST.

K. THERE ARE NO LOCALLY MANUFACTURED AIRCRAFT.
EILTS

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